

Better Care, Lower Costs

Value-Driven Health Care

Carol Kelly

Director, Office of Policy

Centers for Medicare and Medicaid Services





Anxiety About Health Care

- **Employers:** premiums growing at 2-3x wages; affecting profits and competitiveness
- **Consumers:** higher out-of-pocket costs keeping real wage growth down; fear of losing insurance; lack of information for confident decisions
- **Insurers:** pressure from employer customers to control rising costs
- **Doctors and Hospitals:** Medicare reimbursement rates; administrative challenges of data collection, performance measurement and reporting

Our Society's Challenge

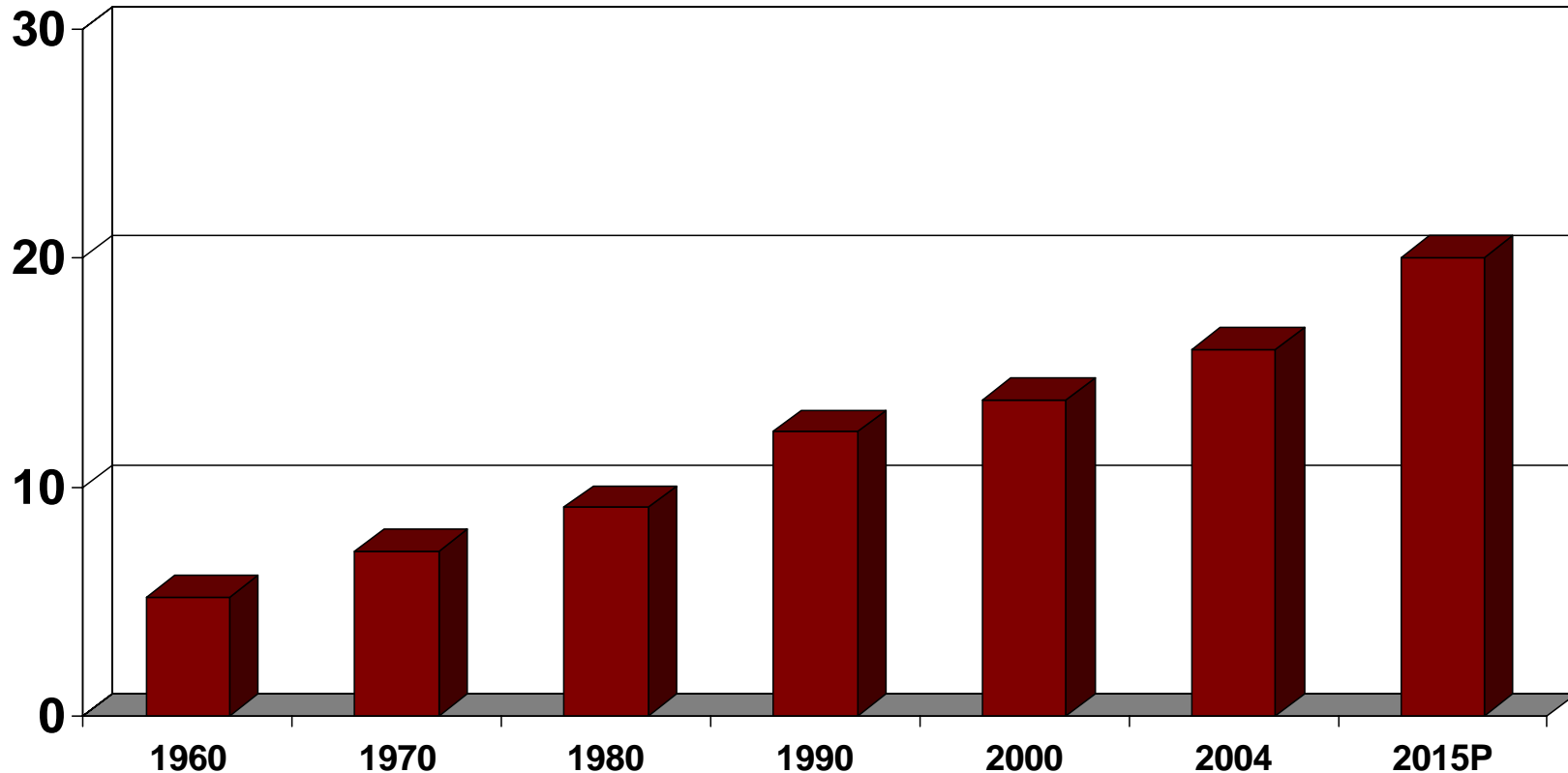
- Sector not a system





Our Society's Challenge (cont.)


- Ever Rising Costs
 - Projected to hit 20% by 2015





Our Society's Challenge (cont.)

- Opaque Quality

 Medical Consumer Guide

[Home](#) [My Account](#) [Doctors & Hospitals](#) [Pharmacy](#) [Health Care Costs](#) [Health Res](#)

[Doctors & Hospitals](#)
[Hospital Quality & Cost](#)
[Find a Doctor](#)
[Find a Hospital or Facility](#)
[My Network](#)
[Tips for Quality Care](#)

Doctor Search Results

Results include the first 25 in-network doctors. [Refine your search](#)

Results sorted by: Doctor Name Sort by: [GO](#)

[<< Previous](#) 1-5 of 25 [Next >>](#)

Distance (in miles)	Doctor Name	Details
13.2	Bromer, Cynthia, MD 7204 W 27th Street Minnetoka, MN 55530 952-545-3331 Map Directions	University of Minneapolis Graduated: 1976 Specialty: Family Practice Disciplinary History Board Certification
0.8	Carlson, Pamela, MD 7204 W 27th Street Minnetoka, MN 55530 952-545-3331 Map Directions	University of Illinois Graduated: 1986 Specialty: Family Practice, Rheumatology Disciplinary History Board Certification
2.5	Fisher, James, MD 6420 Excelsior Blvd Minneapolis, MN 55530 952-545-3331 Map Directions	University of North Carolina Medical School Graduated: 1983 Specialty: Emergency Medicine Disciplinary History Board Certification

Surgical Care Consumer Guide

Search Results: **Hip Replacement**

Summary

Average Cost in Network Facility: \$11,249
Out of Network Facility: \$18,889

Results sorted by: Distance

Distance (Miles)	Facility Name
6.2	Clearwater General 14280 Bay Drive Clearwater, FL 22131
13.2	All Saints Medical Center 123800 All Saints Drive Tampa, FL 22122
25.6	Good Samaritan Hospital 11111 E. Samaritan Drive Tampa, FL 22222
26.3	Tampa Hip Hospital 1400 East Tampa Boulevard Tampa, FL 22211
27.3	Orthopedic Clinical Hospital 1444 Goodie Drive St. Petersburg, FL 22113
33.2	Valley General Hospital 1400 Tampa Bay Way Tampa Bay, FL 22031



Our Society's Challenge (cont.)

- Misaligned Incentives
 - Consumers
 - Providers
 - Political Interests



Our Society's Challenge (cont.)

- U.S. health care market lacks
 - System to communicate
 - Electronic
 - Interoperable
 - Cost information
 - Consumer friendly
 - Episodes & individual services
 - Quality information
 - Widely accepted
 - Consumer friendly
 - Incentives to seek value
 - Consumers
 - Providers



Pursue Value

President's Executive Order:

- **Issued on August 22, 2006**
- **Committed Federal government agencies that sponsor health insurance programs (Medicare, DoD, Tricare) to the four cornerstones of value-driven health care:**
 1. Commit to using interoperable Health IT standards
 2. Measure and publish quality information
 3. Measure and publish price information
 4. Provide incentives for quality and efficiency

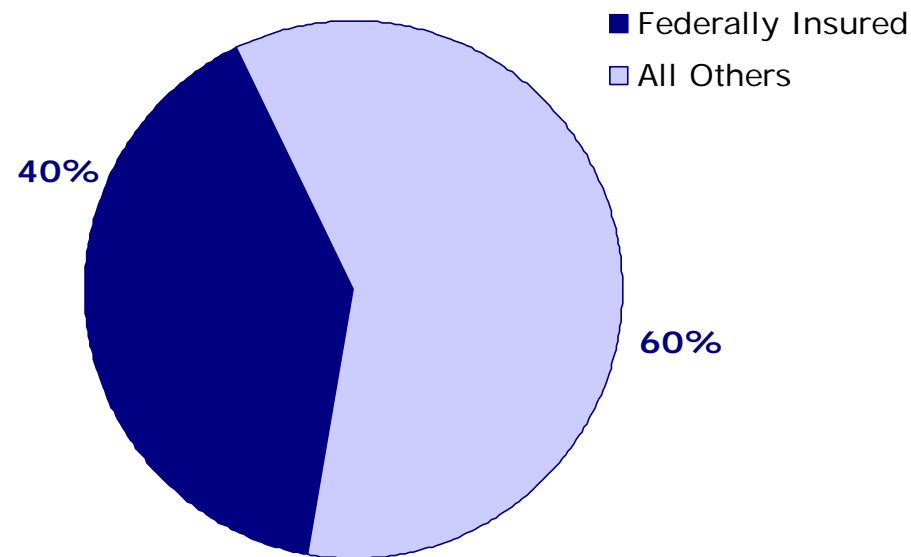


Pursue Value

- Welcome support and input from Industry
- Applaud AdvaMed Transparency Statement
 - Transparency must be rooted in accurate, timely and robust measures
 - Value is a function of quality and cost
 - Focus on episodes of care and consumer-friendly information
 - Quality and cost measures must be developed collaboratively by stakeholders
 - Importance of interoperable HIT and financial incentives



Pursue Value



Federal efforts alone are not enough to tip the market toward transparency



Pursue Value

- Building on the efforts of the private sector and partnerships, the Secretary is encouraging employers and other purchasers to commit to the four cornerstones of value-driven health care
- Secretary has developed an Employer Toolkit to aid employers and other purchasers to show their support
 - CEO Cover Letter
 - Statement of Support
 - Sample RFI
 - FAQs

Statement of Support

What it is...

- Public declaration
- Not a legal document
- Commit now - *Implement as possible*



Statement of Support

Declaring your support...

- Online submission is available at www.hhs.gov/transparency/employers

- Mail or Fax:

Department of Health and Human Services
Value-Driven Health Care
200 Independence Avenue, SW
Room 738G
Washington, D.C. 20201
(ph) 202.205.5552
(fx) 202.205.7897
valuedriven@hhs.gov



Collaboration is Key

National Coordination – Local Control:

Network of Local Collaboratives

- **Community Leaders**
 - Local multi-participant organizations in the early stage of development formed to advance the four cornerstones
 - Recognized by Secretary
- **Value Exchanges**
 - Local multi-stakeholder collaboratives of physicians, nurses, hospitals, health plans, employers, unions, and consumers
 - Focus on public reporting to improve quality and value in health care
 - Chartered by AHRQ
 - Participation in a Learning Network
 - More Advanced Value Exchanges that meet additional criteria may qualify to pool their data with Medicare data for broad-based measurement of provider performance and quality
- **Better Quality Information to Improve Care for Medicare Beneficiaries Pilot Sites**



Do Value-Driven Payments Work

- CMS partnership with Premier, Inc.
 - Nationwide organization of not-for-profit hospitals
 - Members share information on quality and efficiency
- Financial incentives to improve quality, reduce complications, and save money
 - Public reporting on CMS website
www.cms.hhs.gov/HospitalQualityInits
- Bonuses to top hospitals for each condition
 - Top decile given 2% bonus of their Medicare DRG payments for that condition
 - Second decile given a 1% bonus
- Top 50% of hospitals in each clinical area publicly acknowledged on CMS website



Early Evidence Says Yes

- Premier HQID Phase 1 - Results
 - Results released November 14, 2005
 - \$8.85 million awarded to 123 top performers
 - Quality of care improved in all of the five clinical areas measured
 - Top performers represented large and small facilities across the country
- Just In – Phase 2 Results
 - Results released January 26, 2007
 - \$8.69 million awarded to 115 top performing hospitals
 - Average improvement across five clinical areas was 6.7% for total gains of 11.8% percentage points over the project's first two years
- Three Year Extension Announced February 22, 2007



The Future

Surgical Care Consumer Guide

Search Results: **Hip Replacement**

[What's included in the cost?](#)

Summary

Average Cost in Network Facility: \$11,249 - \$15,895

Out of Network Facility: \$18,889 - \$23,460

Results sorted by: Distance

Sort by: **GO**


Key

Quality: ★★★★★ Highest | ★ Lowest Cost: \$ Least Expensive | \$\$\$\$ Most Expensive Patient Assessment: ★★★★★ Highest | ★ Lowest

Distance (Miles)	Facility Name	Patients per year	Quality	Cost Estimate	Insurer Pays	Patient Pays	Patient Assessment of Care
6.2	Clearwater General 14280 Bay Drive Clearwater, FL 22131	400	★★★	\$\$ \$15,895	85% (\$13,511)	15% (\$2,384)	★★
13.2	All Saints Medical Center 123800 All Saints Drive Tampa, FL 22122	86	★★★★★	\$\$\$ \$20,700	80% (\$16,560)	20% (\$4,140)	★★★
25.6	Good Samaritan Hospital 11111 E. Samaritan Drive Tampa, FL 22222	232	★★★★★	\$\$ \$15,895	90% (\$14,306)	10% (\$1,590)	★★★★★
26.3	Tampa Hip Hospital 1400 East Tampa Boulevard Tampa, FL 22211	170	★★★	\$\$\$ \$20,700	75% (\$15,525)	25% (\$5,175)	★★★
27.3	Orthopedic Clinical Hospital 1444 Goodie Drive St. Petersburg, FL 22113	432	★	\$ \$11,600	70% (\$8,700)	30% (\$2,900)	★
33.2	Valley General Hospital 1400 Tampa Bay Way Tampa Bay, FL 22031	310	★★★	\$\$ \$16,230	85% (\$13,796)	15% (\$2,434)	★★★



The Future

**Medical Consumer Guide**

[Home](#) | [My Account](#) | [Doctors & Hospitals](#) | [Pharmacy](#) | [Health Care Costs](#) | [Health Resources](#)

Doctors & Hospitals
[Hospital Quality & Cost](#)
[Find a Doctor](#)
[Find a Hospital or Facility](#)
[My Network](#)
[Tips for Quality Care](#)

Doctor Search Results

Results include the first **25 in-network** doctors. [Refine your search](#)

Results sorted by: Doctor Name **Sort by:** **GO**

Key:
Quality: ★★★★★ Highest | ★ Lowest Cost: \$ Least Expensive | \$\$\$\$ Most Expensive

[<< Previous](#) **1-5 of 25** [Next >>](#)

Distance (in miles)	Doctor Name	Details	Quality	Cost
13.2	Bromer, Cynthia, MD 7204 W 27th Street Minnetoka, MN 55530 952-545-3331 Map Directions	University of Minneapolis Graduated: 1976 Specialty: Family Practice Disciplinary History Board Certification	★★★★	\$\$
0.8	Carlson, Pamela, MD 7204 W 27th Street Minnetoka, MN 55530 952-545-3331 Map Directions	University of Illinois Graduated: 1986 Specialty: Family Practice, Rheumatology Disciplinary History Board Certification	★★★	\$\$
2.5	Fisher, James, MD 6420 Excelsior Blvd Minneapolis, MN 55530 952-545-3331 Map Directions	University of North Carolina Medical School Graduated: 1983 Specialty: Emergency Medicine Disciplinary History Board Certification	★★	\$\$\$



Council on Technology and Innovation

- Oversees Agency's cross-cutting priority on coordinating coverage, coding and payment processes for new technologies and procedures, including drug therapies
 - Guidance and predictability for product developers
 - Preparing for new technologies
 - Developing Better Evidence for Better Treatment Decisions
 - Coding Reforms



Council on Technology and Innovation

- Agency and CTI Initiatives
 - Personalized Medicine
 - Coverage with Evidence Development
 - HCPCS codes and ICD-10 adoption
 - Clinical Trials
 - Industry Outreach



Thank you

